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GAIN Report

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Required Report - public distribution

Date: 11/25/2011

GAIN Report Number: TS1106

Tunisia

Exporter Guide

2011 Exporter Guide

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Report Highlights:

This Exporter Guide report updates the sections concerning the political and economic situation, as well as key demographic developments and the statistics.

Section I: Market Overview

1.1 Political and Economic Situation

Tunisia has been engaged in a process of reform and democratization following the fall of Ben Ali's regime in January 2011. On October 23, the Tunisians participated in the first fair and democratic elections in their history to elect 217 members of the Constitutional Assembly whose major task will be to draft a new Constitution. The Islamic party Ennahda won 90 seats, making it the largest bloc in the assembly while the secular and conservative parties controlled the rest of the seats. Ennahda declared its commitment to tolerance, freedom and pluralism, which was seen by international observers as a positive sign. On November 22, the Constitutional Assembly held its historic first session and elected Hamadi Jebali Ennahda's Secretary General as Tunisia's Prime Minister, while the ceremonial presidency position was given to Moncef Marzouki from the secular party the Congress for the Republic.

Today, Tunisia's economy is in a recovery phase after the revolution and the general environment for investment and foreign cooperation is showing positive signs. The Tunisian economy, historically stable, was first affected in 2010 by the slowdown of economic activities in partner countries in Europe. Real GDP grew only by 3.8 percent in 2010, compared to an average of 4.7 percent for the period 2005-2009. In the first weeks following the end of the revolution, economic activities were disrupted, impacting the growth rate of the Tunisian economy. Widespread demonstrations and the imposition of a state of emergency and curfews brought the country to a standstill situation for several weeks, shutting down shops, markets, factories and offices, with several factories destroyed or damaged. This was further complicated by the impact of events in Libya, Tunisia's primary economic partner in the region. With foreign direct investments declining by almost 30 percent, total losses to the Tunisian economy could reach \$4.4 billion, about 10 percent of Tunisian GDP. Tourism revenue went down by 38.5%, from January to September 2011, causing the closure of 24 hotels and the loss of about 32,000 jobs. In the short term, the economic and social environment remains strained, affected by falling production and exports in the opening months of 2011, suffering from insecurity as well as political and social instability, especially in certain key sectors such as energy, mining and tourism. As a result of the economic and political uncertainty that occurred after the revolution, Moody downgraded Tunisia's rating of sovereign risk by one point, while Fitch and Standard & Poor kept their rating for Tunisia at BBB- and put the country under watch for a period of 3 to 6 months.

Faced with these developments, Tunisia's interim government launched in May an ambitious 17-point economic emergency plan to install confidence of local and foreign investors and improve the business environment. The plan aims at creating 60,000 jobs, with the private sector creating 20,000 of these jobs. These measures included abolishing taxes on investment in regional development projects; bearing 50 percent of social fund contributions for people working in these projects; rescheduling debts for

companies affected by the unrest; and reducing 50 percent of value added tax on imported equipment by these companies. There are some indications that these efforts could improve the economic and commercial environment despite the stagnant growth rate and worsening of macroeconomic indices projected for 2011.

Tunisia's main trading partners are France, Italy, Germany, Belgium, Luxembourg, and the Maghreb countries. Total trade between Tunisia and the U.S. in 2010 was estimated at \$977 million, a 17 percent increase compared to 2009. Total U.S exports were estimated at \$571 million, while imports reached \$406 million. In 2010, U.S. agricultural and food exports to Tunisia reached a record high at \$265 million, with oilseeds, coarse grain, and wheat exports accounting for the bulk of these exports. U.S. wheat, barley and corn exports made an unexpected come-back in the Tunisian import market due to lack of supplies from Black Sea countries, the main grain exporter to the Tunisian market in recent years, and increased local demand. The U.S. is ranked as the second largest destination, after the EU market, for Tunisia's olive oil exports absorbing about 26 percent of these exports.

TOTAL TRADE (\$Million)	US Exports	US Imports	Balance
2010	571	406	+165
2009	502	325	+177
2008	502	644	-142

Data Source: U.S. Census Bureau, Foreign Trade Statistics

1.2 Key demographic developments and their impact on consumer buying habits

Tunisia's purchasing power parity (PPP) of \$8,558 (2010, IMF estimate) is one of the highest in North Africa and is projected to rise to \$10,933 by 2014. Two-thirds of the population lives in urban cities and nearly one-fifth is living in the Greater Tunis Metropolitan area. Tunisia has a relatively large middle class representing 80 percent of the entire population and enjoying a relatively good social welfare, with ready access to education and health services. Women enjoy equal status to men and make up a sizeable part of the work force. Food items account for about 35 percent of overall household's expenditures and spending on these items is growing by 6.6 percent annually. Urban households spend nearly 65 percent more than rural households.

Advantages	Challenges
Improved strategic linkages between the United States and Tunisia, and Tunisia's recent positive steps towards political and economic reform	Political instability may remain and may fuel disruption of trade and economic activities
It has the highest disposable income in North Africa and a large middle class.	Price-conscious buyers make it difficult for US exporters to compete in this market
Major European tourist destination requiring consistent high quality food supply.	Geographic proximity to Europe and the lack of direct shipping lines from the US resulting in long transit times and higher export costs
Expanding modern retail food distribution channels such as supermarkets and hypermarkets that sell imported food products	Heavy French orientation of a large segment of the Tunisian agribusiness establishment
Imported products are generally highly recognized among consumers and institutional services for quality and safety	Relatively small market

The typical Tunisian diet relies on staples such as couscous, a famous dish in North Africa made from durum wheat meat, fish or chicken, along with various vegetables. Pasta and olive oil are also popular as Tunisian cuisine is, to a certain extent, influenced by the Italian cuisine. Seafood is a mainstay of the Tunisian diet. Candies and sweets are also popular.

Section II: Exporter Business Tips

Doing business in Tunisia requires agents/distributors who are crucial to introducing new products into the Tunisian market. Both commission agents and distributors may represent foreign businesses. The official language is Arabic, and the second language is French. Although Tunisian businessmen perceive U.S. agricultural products to be of high quality, many are reluctant to pay substantial quality premiums, as price remains the most determining factor. Therefore companies embarking on doing business in Tunisia should be prepared for relatively demanding price negotiations.

Food standards are similar to those prevailing in developed countries as Tunisia relies heavily on Codex Alimentarius standards when setting its own food safety measures. According to the Consumer Protection Law of 1992, Arabic has to be one of the languages used for product labeling (decree # 2003-1718) while the measuring system in use is the international metric system. If pork meat, pork fat, beef fat or alcohol is one of the ingredients it should be clearly mentioned on the label. Labeling is also

mandatory for all foods and food ingredients containing genetically modified organisms (GMO).

The Tunisian currency, the Dinar, is not fully convertible. The banking system is strictly supervised by the Central Bank of Tunisia, which has several restrictions on capital outflows. However, the Dinar is convertible for trade and investment transactions. The Government of Tunisia is carrying out reforms aimed at the full convertibility by 2014, but this is unlikely to happen on time. During the period January-November 2011, the value of the Tunisian Dinar remained stable vis-à-vis the U.S. dollar, at 1.42 TND/\$US.

Business etiquette is quite similar to western countries. The Tunisian weekend is Saturday and Sunday. During fasting in the holy month of Ramadan the workday is shorter and it is advisable to be concise and to avoid lengthy meetings. When invited into someone's home, it is common for guests to bring a small gift as a token of appreciation. Commercial advertising is well developed in Tunisia with TV and newspapers providing the main venue for ads. Posters, lotteries and sponsorship of event are also very common. Tunisians, especially those with high income, like to buy brands/trademarks with a 'westernized look' advertized on foreign satellite TV commercials and foreign newspapers.

The majority of food products imported to Tunisia are subject to technical quality control procedures prior to customs clearance and the issuance of a document called 'Autorisation de Mise à la Consommation' (AMC). The list of the products concerned by the technical control is regularly published in departmental orders and establishes three distinct modalities:

1. List A includes all goods submitted to a systematic control (i.e. a conformity assessment with or without sampling for further laboratory testing to be undertaken at each shipment regardless of whether the product has or has not been tested in the past.) This list includes virtually all processed agricultural products.
2. List B includes products submitted to the so-called certification regime whereby customs clearance is granted for goods accompanied by a certificate issued by the country of origin and stating that those goods are in compliance with international standards. Agricultural products are not among products subject to the certification regime.
3. List C includes products submitted to a conformity assessment with the conditions defined by a GOT-sanctioned specifications book (Cahier des charges). Agricultural products submitted to 'cahier des charges' are mostly bulk and intermediate agricultural products.

Section III: Market Sector Structure and Trends

Although Tunisia remains mostly a bulk market for U.S. wheat and coarse grain, especially during drought years, many export opportunities exist for U.S. consumer-oriented food products and beverages. There several factors that make Tunisia's consumer-product market increasingly attractive to U.S exporters:

Expanding modern retail food outlets: The retail sector in Tunisia has seen significant changes in the last ten years fuelled by the expansion of modern distribution outlets, supermarkets and hypermarkets. Although the traditional distribution network, based on over 250,000 neighborhood grocery shops, continues to dominate the Tunisian market, modern distribution channels are growing rapidly. Since the opening of the first French hypermarket Carrefour in 2001, two new international brands were introduced into the market (Champion and Casino) while the main state supermarket chain “Magasin General” was fully privatized in 2007. Currently, there are roughly 220 modern food retail outlets: 2 hypermarkets, 150 supermarkets and 100 ‘Superettes’ (self-service food outlets with area less than 500 sq. m). Fresh fruit and vegetables, as well as fishery products are also sold in local out-door markets “souk”.

Franchising: After a long opposition to franchising, the GOT is encouraging investment in this area to help create new jobs and technology transfer. In August 2009, the Tunisian government approved legislation defining franchising for the first time. Before the approval of this law, franchises permission to open and operate franchises was accorded in case-by-case basis. In August 2010, the Tunisian government issued a ministerial decrees outlining contract provisions and publishing a sectoral list in which franchises would need no prior authorization to operate in Tunisia. Franchises on this list will be able to operate like any other foreign business in Tunisia, while the franchises that are not on the sectoral list, such as the food franchises, must obtain approval to operate. The U.S. franchises are currently under-represented in Tunisia. This may represent a good opportunity for U.S companies to enter and benefit from this fast growing market.

Growing middle-class: Roughly 80 percent of Tunisian consumers are considered middle class and thus have significant purchasing power. According to the latest survey by the National Statistics Institute’s (INS) conducted in 2005, Tunisians spend nearly 6.3 billion TD a year (about \$5 billion) on food, mainly to purchase staples like bread, pasta, semolina, cooking oil and dairy products. Other items that used to be considered luxury goods, such as salty and sweet snacks, fruit juices or fresh fruits are increasingly popular. Tunisia's growing young population is also adding to this factor. In fact, the youth population represents the largest segment (55 percent of the total population is under the age of 30) and is more open to western-style food products. In addition, there are about 6 million tourists who visit Tunisia annually and offer opportunities for selling high processed food products.

The food processing sector

The food processing sector accounts for about 1,066 enterprises whose production value is about \$6,000 million and contributes a value added of 1,316 million \$ in 2008. The food processing sector demand for imported high-value ingredients is steadily increasing, with more sophisticated products licensed by multinational food companies such as Nestle and Danone. Agricultural and food imports by the food processing sector in 2009 were estimated at \$1,814 million compared to \$937 million in 2002. Cereals and products, oils and sugar derivatives account on average for 80 percent of Tunisia food imports. The Hotel and Restaurant Industry (HRI) is not perceived as a separate market, for most hotels and restaurants source their food needs either through annual tenders or use the same distribution channels used by households. In addition to domestic customers, this sector caters to more than 6 million tourists visiting Tunisia each year. High-end hotels do import spirits, wines and specialty cheese either directly or via import companies.

The following table shows the number of food processing companies broken down by sub-sectors. For each sub-sector there are off-shore companies whose operations are geared toward export and on-shore companies, i.e. those working mainly for the domestic market.

Activity	Off-shore companies	On-shore companies	Total
Oils and fats industries	14	312	326
Fruits and vegetables industries	17	45	62
Cold storages facilities	56	81	137
Seafood industries	39	37	76
Cereals and derivatives industries	4	234	238
Beverage industries	8	51	59
Dairy industries	-	37	37
Sugar and confectionary industries	2	24	26
Meat industries	1	24	25
Other food processing industries	21	59	80
Total	162	904	1066

Source: Tunisia Industry Promotion Agency-June 2008

Section IV: Best high-value product prospects

As mentioned earlier, owing to an expanding middle-class and the consequent change of both consumption patterns and distribution channels, the Tunisian market is evolving in a way creating real export opportunities for value-added consumer-oriented products (COP). The consumer-oriented products that have good prospects to perform best in the Tunisian market include: tree nuts, dried fruits, cookies, sauces, condiments and mixed seasoning, and breakfast cereals.

Apart from food products, there is also a good market opportunity for U.S. agricultural equipment in Tunisia, particularly in grain storage where Tunisia experiences frequently significant shortages of space. Also, there are a good opportunities for U.S. suppliers of concrete and portable grain silos as well as elevators exist in Tunisia.

The best approach to enter the market for new exporters is to identify a suitable importer, (i.e., an importer with proven experience in handling the targeted products. U.S. exporters are encouraged to check the credentials of the importer.) Another alternative is to contact major retailers directly, as some of them have subsidiaries dealing with local and international procurement. Through various activities, the USDA/FAS office in Tunisia is able to help in matching new-to-market exporters with appropriate potential business partners or to conduct specially tailored inquiries for U.S. companies seeking export opportunities in this emerging market.

Section V: Key Contacts and Information Sources

The Office of Agricultural Affairs (OAA) at the American Embassy in Tunis is the main contact for USDA activities in Tunisia. It provides trade servicing and market intelligence. Services offered by

OAA include market briefings, lists of importers, setting up agendas and meetings.

US Embassy/ USDA-Foreign Agricultural Service Contacts

Hassan F. Ahmed, Regional Agricultural Attaché (Resides in Rabat, Morocco)

E-mail: Agrabat@usda.gov

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Fax : 212 53 776 5493

Other Contacts:

Directorate General for Veterinary services (DGSV)

Ministry of Agriculture, Environment and Hydraulic Resources

30, rue Alain Savary, 1002, Tunis, Tunisia

Phone: 216 71 786 833

E-mail: : mag@ministeres.tn

Directorate General for Agricultural Production (DGPA)

Ministry of Agriculture, Environment and Hydraulic Resources

30, rue Alain Savary, 1002, Tunis, Tunisia

Phone: 216 71 786 833

E-mail: : mag@ministeres.tn

Directorate General for Crop Protection and Quality of Agricultural Products (DGPCQPA)

Ministry of Agriculture, Environment and Hydraulic Resources

30, rue Alain Savary, 1002, Tunis, Tunisia

Phone: 216 71 786 833

E-mail: : mag@ministeres.tn

Directorate of Quality and Consumer Protection (DQPC)

Ministry of Commerce

Address: 37, av. Keireddine Pacha, 1002 Tunis

Phone: (216) 71 890-070 / 890 337

e-mail: mcmr@ministeres.tn

National Agency of the Sanitary and Environmental Control of Products (ANCSEP)

Ministry of Public Health

Adresse : Appt. Idriss - 3ème Etage - Bloc N°9 - Cité Elmhiri - Berges du Lac - 2045 Tunis

Phone : +216 71 960 222

e-mail : thouraya.attia@ms.tn

Institut National de Normalisation et de Propriété Industrielle (INNORPI)

Standards setting and intellectual property enforcement authority

BP 23 - 1012 Tunis Belvédère

Phone: 216 71 785 922

Fax: 216 71 781 563

E-mail: inorpi@email.ati.tn

The Packaging Technical Centre (PACKTEC)

Address : Cité El Khadra, par la rue Alain SAVARY. BP 64 .1003 Tunis.

Tel. : +216 71 772 755

Fax. : +216 71 773 300

Email : Packtec@packtec-tunisia.com

Other relevant websites

- www.cepex.nat.tn: The website of the Cepex (Export promotion agency) which has the full list of has le list of the domestic and international trade shows of interest for Tunisian businessmen
- www.Tunisie-commerce.com: A directory of trade Tunisian companies
- <http://www.tunisianindustry.nat.tn>: the website of the Industry promotion agency
- www.bct.gov.tn: The website of the Tunisian Central bank
- www.smg.com.tn: the website of the leading Tunisian retailer: Magasin General
- www.TunisiaOnline.com: a digital gateway to news and information resources on Tunisia, Tunisia's history, government, culture and environment.

Exporter Guide Appendix I. Statistics

Table A: Key Trade & Demographic Information

Agricultural Imports From All Countries (\$mil) / US Market Share (%) 2010	2235	12 percent
Consumer Food Imports From All Countries (\$mil) / US Market Share (%) 2010	942	1%
Total Population (millions)/ Annual Growth Rate (%), 2008	10,326	1.18 percent
Urban Population (millions)/ Annual Growth Rate (%), 2004	6490	1.83 percent

Number of Major Metropolitan Areas	1	
Size of the Middle Class (millions)/ Growth rate, 2004	8	
Per capita Gross Domestic Product (U.S. Dollars), 2009	4,593 (equivalent US dollars at current prices)	
Unemployment rate (%)	13 (2010)	
Per capita Food Expenditures (U.S. Dollars), 2005	519	
Percent of female population Employed	25.4	
Exchange Rate	1.40 TD for \$ 1.0	

Table B. Tunisia agricultural imports

Tunisia Imports	Imports from the World \$Million			Imports from the U.S. \$Million			U.S Market Share (%)		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Wheat	892	316	486	120	9	29	13	2.8	6
Barley	159	12	90	0	0	17	0	0	18
Corn	223	127	197	90	12	40	45	9.4	20
Soybean oil	306	119	147	41	19	8	12	10	7
Soybean meal	122	82	32	0	7	0	0	0	0
Soybean	11.6	108	143	0	93	118	0	86	82
Milk and derivatives	65	33	35	8.6	0.8	4	1	0.03	11
Potatoes	16	37	14	0	0	0	0	0	0
Tea	19	18	18	0	0.05	0	0	0	0
Sugar	130	133	205	0.8	0.2	1.4	0	0	0.6

Source: Institut National des Statistiques (INS)+ BICO